

For Your Benefit



A Newsletter of the Connecticut Municipal Employee Retirement System

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Office of the State Comptroller

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Special Interest Articles

Windfall Elimination	2
Furlough Days	2
Retirement Checklist	3
Municipal Liaison	3
CMERS Valuation	3

Workers' Compensation Benefits Are Offsets to MERS Service Connected Disability Benefit

It is important to note to employees who apply for a service connected disability under MERS that there is a workers compensation offset to this pension benefit.

MERS is governed by C.G.S. § 7-436 which holds that for employees (retirees) receiving a service connected disability retirement benefit ... "[a]ny amount or amounts received under the Workers' Compensation Act shall be deducted from such allowance, except that any member who has received a specific indemnity award...shall not have the amount of such indemnity award deducted from his allowance.". Therefore if a MERS retiree is receiving a MERS service-connected disability ("SCD") retirement then all workers compensation payments are taken as offsets except for specific indemnity payments. Specific indemnity payments are payments under Conn. Gen. Stat. § 31-308(b) and § 31-308(c).

All other payments to the retiree under or pursuant to the workers compensation act are considered offsets – on a dollar for dollar basis – to the service connected disability benefit. For example, if a MERS retiree receives a \$1,000 per month service connected disability pension and his § 31-307 benefit is \$400 per month, the MERS benefit is reduced to \$600 per month.

Receipt of workers compensation benefits without a corresponding offset (reduction) to a MERS SCD disability retirement allowance will result in an overpayment of the retirement allowance. Upon notification of the receipt of these benefits MERS will recalculate the retirement allowance to include these offsets and determine if the individual has been overpaid with regard to the MERS retirement allowance

Who is responsible for the notification to MERS of an award of workers compensation monies? Ultimately the retiree but to avoid large overpayment issues, certainly the employer, the third party administrator or retiree's workers compensation attorney can also notify MERS. To avoid large overpayment issues, MERS should be notified as soon as the member receives a workers' compensation payment or obtains a social security disability award.

Survey for MERS Training Program – Summer 2010

MERS needs your input and suggestions!

Because the successful administration of our retirement system depends to a very real degree on you, MERS plans to conduct a MERS pension training seminar sometime over the summer at 55 Elm Street in Hartford. This seminar would be for human resource specialists, benefit officers, union representatives and personnel directors to familiarize themselves with the provisions and administration of the MERS system.

To better serve you, MERS needs your suggestions on what topics or subjects should be covered at such a seminar. Topics could include a quick introductory course, survivor options and death benefits or preparing the retirement application.

Please call or email MERS by April 1, 2010 to let us know your thoughts, comments, suggestions and interest in attending such a training seminar.

The Windfall Elimination Provision of Social Security and its Effect on Part A MERS Members

2

There are many CMERS employees and retirees who are not or were not covered by Social Security during their CMERS employment. These non-covered individuals, referred to as CMERS "Part A" employees, may be affected by certain provisions of the Social Security Act.

One of these provisions is the Windfall Elimination Provision (WEP). WEP was enacted as a result of the Social Security Amendments of 1983 and primarily affects a CMERS member if: (1) s/he earned a pension in any job where s/he did not pay Social Security taxes (i.e. "Part A" employment) and (2) also worked in other jobs long enough to qualify for a Social Security benefit.

WEP adversely affects the social security benefit – sometimes reducing it as much as 50%. While WEP may apply in several cases, it applies when the person

first became eligible for a monthly pension based on work where s/he did not pay Social Security taxes after 1985. Thus WEP most likely applies to all "Part A" CMERS members who were not entitled to a MERS pension prior to January 1, 1986.

However, WEP most likely does **not** apply if a "Part A" employee was entitled to a CMERS pension prior to January 1, 1986.

In 1986, a member of CMERS was entitled to retire with reduced benefits after 10 years of service. This means that a Part A employee who started work on or before January 1, 1976 and had at least ten (10) years of CMERS service prior to 1986 may be exempt from WEP and may be entitled to collect their full Social Security benefit.

CMERS understands that in the past there was confusion with regard to the length of time it took to be entitled to a CMERS pension. When questioned by Social

Security as to how many years the member had to work in order to retire, some members wrongly stated 25 years and WEP was applied to the members' social security benefit

CMERS advises that any Part A member hired prior to January 1, 1976, having at least ten (10) years of active service prior to 1986 and *presently collecting* Social Security should call Social Security (not CMERS) to verify that they are receiving their full social security benefit and that their benefit has not been affected by WEP.

If their benefit was affected by WEP, then they should call CMERS at 860-702-3500 and ask for a Letter of Eligibility to Retire. They should then take this letter and submit it to Social Security. Social Security – not CMERS - will make the final decision with regard to exemption and whether the member's

social security benefits should be restored.

Any Part A member hired prior to January 1, 1976, having at least ten (10) years of active service prior to 1986 and has not yet applied for Social Security should call CMERS at 860-702-3500 and ask for a Letter of Eligibility to Retire. The member should submit this letter with any other documents required by Social Security.

WEP does **not** apply to CMERS employees who have social security deductions taken from their paychecks and these employees do not need a Letter of Eligibility to Retire from CMERS.

All specific questions on WEP **must** be referred to Social Security.

No Service Credit for Furlough Days

MERS has had several towns and agencies call with regard to possible "furlough days" and their impact on pension service credit. A furlough day is a day on which an employee is normally or regularly scheduled to work but under a furlough program is not paid and is not allowed to perform any work on that day.

MERS employers have asked how furlough days may affect an employee's pension contribution and service credit. MERS employers are advised that employees will not receive MERS service credit for retirement for furlough days.

It is important to note that MERS is a multi-employer pension plan that was created by, and is operated in accordance with, the provisions of Title 7 of the Connecticut General Statutes. Eligibility, service credit, contributions, vesting requirements, benefit formulas – all aspects of a MERS retirement system - are set by statute and cannot be changed by individual employers.

For example, a municipality cannot set its own contribution rate, change the eligibility criteria, determine its own payment options or otherwise offer an employee a retirement benefit not authorized by statute.

With regard to furlough days, there are no MERS statutory provisions which would allow contributions to be taken from or service credit to be given with regard to a non-paid furlough day.

MERS contributions and service credit are based upon pay for time actually worked. With a furlough day, the employee does not work and there is no pay. Because there is no pay, the MERS employer and employee cannot take out contributions nor can the employee receive service credit for retirement.

MERS statutes do not contain provisions which

would otherwise allow a member to purchase service credit for furlough days or for any unpaid but approved leave of absence.



Agencies and employers are reminded of the importance in submitting complete retirement application packages to CMERS. If there are documents or information missing from the submitted packages, CMERS must spend time tracking it down – time which results with the retiree missing the payroll deadline and having the retirement check delayed one month.

To be helpful, CMERS has developed a checklist of the required forms and information that should be included in every retirement application package sent to CMERS by the employer. Employers are requested to check all forms for the required signatures, documentation such as birth and marriage certificates and proper notarization of signatures as applicable.

- { } Retirement Application - Part A (no social security coverage) or Part B (employees covered by social security).
 - _____ Member's signature
 - _____ Employer certification
 - _____ Accounting of leaves without pay
 - _____ Retroactive payment histories
 - _____ Workers Compensation Leaves
- { } Income Payment Election Form
 - _____ Member's signature
 - _____ Witness Signature
- { } Spousal Consent Form
 - _____ Member's signature
 - _____ Notarized spouse signature

OR
- { } Certification of Marital Status
 - _____ Notarized Member signature
 - _____ Marriage certificate (Part III)
- { } Birth Certificate (member- retiree)
- { } Birth Certificate (contingent annuitant)
- { } Marriage Certificate
- { } Direct deposit form

Please Share this Newsletter

Although this newsletter is designed for human resource specialists, benefit officers, union representatives and personnel directors, it can also be an effective means of communication to employees about MERS' policies, procedures, and practices. If you have the means to do so, please forward or otherwise share this newsletter with your MERS employees and retirees. Feel free to post the newsletter on an "electronic" employee bulletin board or publish the "link" and website location of the MERS newsletter in any mailing that may be sent to retirees. The newsletter is a great way for employees and retirees to receive MERS information.

Important Changes: CMERS Actuarial Valuation Reports

Last year, the Retirement Commission voted to change the schedule of the actuarial valuation reports for both CMERS and P&FSBF from an annual to a biennial basis. The valuations will be based on MERS retirement system data for fiscal years ending June 30, 2010 (performed in fiscal year 2011) and June 30, 2012 (performed in fiscal year 2013). There will be no CMERS or P&FSBF valuation this year (2010). Copies of the "Roll Forward" (2010) and a listing of employer contribution rates from 1950 are posted on the CMERS website under "Plan Documents" <http://www.osc.state.ct.us/rbsd/cmers/plandoc/>.

The Retirement Commission met with the CMERS actuaries with regard to member contribution levels and administrative rates for FY2011. At its February 18, 2010 meeting, the Retirement Commission voted that for fiscal year 2011, the total contribution rate for General Employees (for both with and without Social Security) be set at 9.5%; that the total contribution rate for Police and Fire (with Social Security) be set at 13.75% and the total contribution rate for Police and Fire (without Social Security) be set at 13.5%. The CMERS' administrative fee will remain at \$100 per employee/ retiree and the rate for the Police & Fire Survivor Benefits Fund will remain at \$40 per employee/retiree. Each CMERS member will receive a letter outlining the above information as applies to their agency.



Municipal Liaison Needed

MERS is under the general supervision of the State Employees Retirement Commission. There is a vacancy on the Commission with regard to a "municipal liaison" representing the MERS system. CGS Sec. 5-155a allows the Trustees to appoint a representative "who shall serve as a municipal liaison to the commission, at the commission's pleasure and under such terms and conditions as the commission may prescribe."

The Commission meets once a month (every third Thursday) at 55 Elm Street in Hartford, Connecticut to conduct business. Interested officials are asked to submit a letter of interest with regard to this appointment to Helen Kemp, Division Counsel, Retirement Services Division, 55 Elm Street, Hartford, CT 06106. These letters will be forwarded to the Commission for their review.

Information about the Commission can be found on the OSC website at <http://www.osc.state.ct.us/rbsd>.